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PROXMIRE RELEASES CIA REPORT ON SOVIET ECONOMY

Washington, D.C. -- Senator William Proxmire (D-Wis.) released today a new CIA study of economic trends and policy developments in the Soviet Union. The study, prepared by the Office of Soviet Analysis, CIA, was submitted by Robert Gates, Deputy Director for Intelligence, together with testimony presented to the Subcommittee on International Trade, Finance, and Security Economics of the Joint Economic Committee. Proxmire is Vice Chairman of the Subcommittee.

Proxmire said in a statement from his Washington office:

"The study presents the results of the CIA's latest study of the Soviet oil industry and Soviet energy prospects into the 1990's, reviews the recent performance of the economy, and provides new revised estimates of Soviet defense spending.

"According to the CIA, Soviet economic activity has picked up somewhat in the present year and the CIA now forecasts a growth rate of 3.5 to 4 percent for 1983. However, the CIA has not changed its estimate that Soviet GNP will average only about 2 percent growth annually for the next several years.

"The improvement is due in part to improved weather during the past year, in part due to Andropov's campaign for greater discipline.

"In contrast with earlier estimates, energy is no longer considered to be a serious constraint on economic growth during the 1980's.

"The CIA now believes the Soviet Union has avoided the downturn in oil production that was once predicted. Oil production is expected to continue growing, level off by the middle of the decade, and then decline slowly until 1990.

"The revised defense estimates show that the total costs of defense since 1976 has risen by only 2 percent a year, compared to the 4-5 percent annual growth rate previously estimated. The slowdown in the growth rate is due to the leveling off of military procurement since 1976.

"The slowdown," Proxmire said, "of Soviet defense growth rates has profound significance that has not yet penetrated policy circles.

"In one sense, the CIA's new estimates demonstrate that the Soviet defense program is very large and still growing, although at a slower rate than before.

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"But Moscow has not been expanding its effort at the rapid rate that was once believed. It slowed its defense expansion beginning about seven years ago, a fact that the Soviets neglected to communicate and that the West failed to detect."

Proxmire continued, "My own view of the Soviet economy is that we in the West tend to magnify its weaknesses and to overlook its strengths."

"The Soviet Union won't collapse or even stagnate for very long just because they have an economic system we do not like."

"It is as important that we accurately assess Soviet economic capabilities as it is that we accurately assess Soviet military capabilities."

Copies of the CIA report, USSR: Economic Trends and Policy Developments, may be obtained from the Joint Economic Committee, Publications Department, G-01 Dirksen Senate Office Building, Washington, D.C., 20510, or by calling (202) 224-5321.

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